

## Message Text

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ACTION EA-12

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E.O.11652: NA  
TAGS: ELAB, TH  
SUBJ: RTG ANNOUNCES INCREASES IN THE MINIMUM WAGE RATES

1. AFTER SIX MONTHS OF PUBLIC DISCUSSION AND OFFICIAL EQUIVOCATION, THE ROYAL THAI GOVERNMENT ON AUGUST 29, 1978, ANNOUNCED INCREASES EFFECTIVE OCTOBER 1, 1978, IN THE MINIMUM WAGE RATES. FOR BANGKOK AND THE FIVE SURROUNDING INDUSTRIAL PROVINCES, THE DAILY MINIMUM WAGE RATE WILL INCREASE FROM 28 BAHT TO 35 BAHT (DOLS 1.75); FOR THE CENTRAL AND SOUTHERN PROVINCES FROM 21 BAHT TO 28 BAHT (DOLS 1.40); FOR THE NORTHERN AND NORTHEASTERN PROVINCES FROM 19 TO 25 BAHT (DOLS 1.25).

2. THE MINIMUM WAGE ANNOUNCEMENT IS PART OF A PACKAGE OF MEASURES DESIGNED TO RAISE INCOMES OF WORKERS, FARMERS, STATE ENTERPRISE EMPLOYEES AND GOVERNMENT OFFICIALS. PROBABLY THE MOST IMPORTANT OTHER RELATED MEASURE IS A CABINET DECISION TO RAISE THE RTG TARGET PRICE OF PADDY RICE FROM BAHT 2,400 TO BAHT 2,700 PER 1000 KILOGRAMS (SEPTEL). BY ANNOUNCING THE INCREASES IN THE MINIMUM WAGE AND THE RICE TARGET PRICE SIMULTANEOUSLY, RTG NO DOUBT SEEKS TO DEFUSE URBAN LABOR'S USUAL HEATED OPPOSITION TO ANY INCREASE IN THE RETAIL PRICE OF RICE. THIS OPPOSITION  
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HAS PLAGUED PREVIOUS GOVERNMENTS, MOST NOTABLY THE KUKRIT GOVERNMENT, AND WORKED AGAINST RTG EFFORTS TO INCREASE THE INCOME OF THE RURAL POOR.

3. THE MINIMUM WAGE RATE IS OF COURSE A HIGHLY SENSITIVE ISSUE WITH THAI LABOR LEADERS. MANY LABOR LEADERS EXPRESSED DISAPPOINTMENT LAST OCTOBER OVER THE THREE BAHT

INCREASE IN THE BANGKOK RATE, WHICH THEY CONSIDERED INSUFFICIENT TO KEEP PACE WITH THE RISING COST OF LIVING. PHAISAN THAIWATCHAINAN, PRESIDENT OF THE LABOR CONGRESS OF THAILAND (LCT), AND THE OTHER LCT LEADERS HAVE WAGED A CAMPAIGN SINCE MARCH 1978 FOR AN INCREASE IN THE BANGKOK RATE TO 45 BAHT PER DAY. ALTHOUGH 35 BAHT RATE IS CONSIDERABLY LESS THAN LCT DEMAND, MOST LABOR LEADERS INCLUDING PHAISAN PROBABLY VIEW 35 BAHT RATE AS "VICTORY" FOR LABOR. FIRST, IT PROVIDES FOR SUBSTANTIAL INCREASE OF 25 PERCENT FOR THOSE PRESENTLY RECEIVING MINIMUM WAGE. SECONDLY, IT CONFORMS WITH EARLIER RECOMMENDATION, WHICH MOST LABOR LEADERS GENERALLY APPLAUDED, OF THE TRIPARTITE RTG MINIMUM WAGE COMMITTEE AND IS MAXIMUM WHICH LABOR CAN REALISTICALLY EXPECT UNDER PRESENT CIRCUMSTANCES. THIRDLY, THE KRIANGSAK GOVERNMENT HAS, AFTER MUCH HESITATION AND DELAY, SHOWN WILLINGNESS TO RESIST POWERFUL BUSINESS INTERESTS FORECASTING GLOOM AND DOOM IF 35 BAHT RATE IS ADOPTED FOR THE BANGKOK AREA AND TO ACCOMMODATE ORGANIZED LABOR ON ONE OF ITS HIGH PRIORITY DEMANDS.

4. POTENTIAL ECONOMIC IMPACT OF ANNOUNCED INCREASES IN THE MINIMUM WAGE RATES IS DIFFICULT TO ASSESS AT THIS POINT. IN MORE MODERN SECTOR OF THAI ECONOMY, NEW RATES WILL NO DOUBT EXERT UPWARD PRESSURE ON WAGE SCALES AS EMPLOYERS ADJUST PAY RATES TO MAINTAIN ADEQUATE VERTICAL PAY DIFFERENTIALS. DESPITE RTG PRICE CONTROLS ON ESSENTIAL LIMITED OFFICIAL USE

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ITEMS, MERCHANTS WILL ALSO USE INCREASES IN MINIMUM WAGE RATES AS JUSTIFICATION, WHETHER WARRANTED OR NOT, FOR PRICE INCREASES ON RETAIL GOODS.

THIS WILL EXERT ADDITIONAL INFLATIONARY PRESSURE ON THAI ECONOMY WHICH ALREADY HAS 10 PERCENT PER YEAR RATE OF INFLATION.

5. ON OTHER HAND THE LARGER, MORE MODERN FIRMS HAVE HAD AMPLE TIME TO PLAN FOR MINIMUM WAGE INCREASES ON THE SCALE ANNOUNCED AND COULD IN ANY CASE ABSORB HIGHER LABOR COSTS WITHOUT GREAT STRAIN. SMALLER, PRIVATE FIRMS, ESPECIALLY SINO-THAI, WHICH HAVE IN PAST CHEATED ON MINIMUM WAGE REGULATIONS ON WIDE SCALE, WILL NO DOUBT IN FUTURE CONTINUE TO DO SO, ONLY ON LARGER SCALE. GIVEN DEPARTMENT OF LABOR'S SMALL ENFORCEMENT STAFF AND LIMITED BUREAUCRATIC CLOUT, FULL COMPLIANCE WITH THE MINIMUM WAGE STANDARDS BY EMPLOYERS IS STILL A LONG WAY OFF. TO THE EXTENT WORKERS ACTUALLY RECEIVE LESS THAN THE LAW PROVIDES, THE REAL ECONOMIC IMPACT OF THE NEW RATES WILL BE CORRESPONDINGLY REDUCED.

6. AS INDICATION OF HIGH-LEVEL RTG THINKING ON MINIMUM WAGE ISSUE, MINISTER OF INTERIOR LEK NAEOMALI TOLD AMBASSADOR DURING AMBASSADOR'S COURTESY CALL ON AUGUST 30 THAT 1) NEW RATES ARE MOST THAT RTG CAN JUSTIFY AT THIS TIME GIVEN PRESENT INFLATIONARY PRESSURES, 2) SOME COMPANIES MAY HAVE TO TRIM THEIR STAFF AS RESULT OF INCREASED WAGE RATE, AND 3) HE BELIEVES UNIONS WILL ACCEPT NEW RATES FOR TIME BEING BUT BEGIN AGITATING IN ABOUT SIX MONTHS FOR ANOTHER ROUND OF INCREASES.  
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